



WATER COMMISSION
October 17, 2013
SUMMARIZED MINUTES

MEMBERS PRESENT

Brian Ketter
Karin Wadsack
Dick Kersey
Brad Garner
Bob Shinham
John Malin
John Nowakowski
Justin Ramsey

MEMBERS ABSENT

Hanna Cortner
Lindsay Wagner

STAFF PRESENT

Brad Hill
Ryan Roberts
Jim Davis
Neil Gullickson

OTHERS PRESENT

I. CALL TO ORDER

Chair, Brian Ketter called the meeting to order at 4:00 p.m.

II. APPROVAL OF MINUTES – September 19, 2013

Moved by Brian Ketter and seconded by Dick Kersey that the minutes of September 19, 2013 be approved. All approved.

Chair, Brian Ketter announced Commissioner Lindsay Wagner's request for resignation effective October 2013. The Water Commission thanked Lindsay for her years of service serving as a member.

III. PUBLIC PARTICIPATION – None

IV. NEW BUSINESS

A. Out-of-City Sewer Service Request (2601 Fort Valley Rd) – Jim Davis & Neil Gullickson

Mr. Rick Moore, Director of Recreation and Outreach, Grand Canyon Trust is requesting an out of City sewer service connection to service the existing buildings on the property located in a County island at 2601 Fort Valley Rd. The property currently has a septic system that has reached its maximum capacity and they are unable to install kitchen sinks or bathrooms in their new building until connection to the City sanitary sewer has been completed. The property, by itself, meets neither the minimum width nor depth requirement identified for annexation by the ARS. ARS requires minimum 300' adjacent to a city boundary and minimum 200 feet of depth from that line. This site has 279-feet of adjacency and 179-feet of depth.

Staff recommends approval of the request for out of City sewer service contingent on the owner entering into a pre-annexation agreement for the service. The pre annexation agreement shall be attached to the property deed so that it will transfer to future property owners in the event the current owner sells or subdivides the property. The site has been serviced by the City of Flagstaff with a ¾" water meter for well over forty years. In order to add the additional fixtures, a connection to the City's 8" sewer main line at the front of the property in Ft Valley Road is required.

The City Code requires that all water taps or connections made outside the corporate limits of the City shall be 110% of the standard charges, fees and/ or deposits. Before connection to the sewer

service is made, the applicant will pay sewer capacity fees based on the size of the existing water meter.

Moved by John Nowakowski and seconded by Brian Ketter to recommend to Council to approve the Out-Of-City sewer service request as presented. Motion passed.

V. OLD BUSINESS

A. Rate Study Scope of Work – Ryan Roberts

Ryan distributed a written working document and indicated he revised his intent and wants to try to get this prepared for Council. The intent is to get in agreement of the methodologies to lineout the Rate Consultant before they start the study.

City staff has previously discussed the following policies which involve the settings of Utility rates. The associated water policy section is referenced.

- Debt service goal of 20% reference policy# A 1.1
- Fixed costs v. commodity costs; reference policy# A 3.1
- Reclaimed water rates based on cost of service; reference policy# A 3.4

Policy Item 1- Which methodology should be used for establishing rates for out-of-City customers; rates for load-out customers

Current Methodology:

We currently use the Cost of service (COS) process for all customer classes including load out customers and then add 10% for out-of-City customers. Under this methodology, revenue requirements are allocated to the different user classes proportionate to their use of the water system. Allocations are based on average day (base), maximum day peak (Max Day) usage, maximum hour peak (Max Hour) usage, meters and services, billing and collection, and fire protection. Use of this methodology results in an AWWA accepted cost distribution amongst customer classes and a means of calculating and designing rates to proportionately recover those costs.

Proposed Methodology:

An alternative methodology used for establishing rates to out-of-city customers is the "Utility basis method". This method of calculation is commonly used by investor-owned or privately held utilities because it features a rate-of-return on invested capital component as part of the revenue requirement calculation. This rate-of-return component is used to compensate the utility's owners for the rate base assets they invested in to provide service. In many circumstances, the utility basis method is also used by publicly-owned municipal utilities investing in rate base assets to provide service to customers in adjoining outside city jurisdictions. Conceptually, inside city customers are viewed as the owners of; or investors in, the municipal utility providing service to outside city customers. Thus, the rate-of-return on invested capital component of the municipal utility's outside city revenue requirement allows inside city customers to be compensated for the rate base assets they invested in to provide outside city service.

The utility basis method used by City of Flagstaff recognizes inside city customers as owners of The Utility system who deserve a return on the investment they have made in the assets used to finance outside city service. Additionally, inside city customers must also be compensated for the annual loss in value (as measured by depreciation) of this rate base. The use of this methodology is also AWWA accepted.